## Senate Committee of Ethics Reform and Government Operations
## February 9, 2010

### Testimony on Senate Bill 477
Relating to: treatment of abandoned employee retirement accounts under a
retirement system of a 1<sup>st</sup> class city. By Senators Taylor, Darling, Sullivan and
Coggs; cosponsored by Representatives Fields, Ballweg, Cullen , Gottlieb, Kestell,
Sinicki, Toles, Zepnick and Pasch

Our thanks to the sponsors of this bill; and thank you to the Chairman and
members of this committee for the opportunity to provide testimony on this piece
of legislation today.

Stated simply, this bill will allow the Employes' Retirement System (ERS) of the
City of Milwaukee to retain any unclaimed retirement benefits for the benefit of
the systems members and their beneficiaries.

The ERS was created by an act of the Wisconsin Legislature in 1937 to provide
retirement-related benefits for members and their beneficiaries. The retirement
system includes the City of Milwaukee, non-certified staff of Milwaukee Public
Schools, the Milwaukee Metropolitan Sewerage District, the Wisconsin Center
District and the Housing and Redevelopment Authorities of the City of
Milwaukee.

The ERS currently has 27,000 members. 12,000 are active employees, 11,000
are retirees, and approximately 4,000 are former employees who are members of
the fund, but are deferred beneficiaries of the system.

The funds of the ERS stood at $3.9 billion dollars at year-end. Regular payroll
contributions for 2009 were approximately $26 million and retiree payments were
approximately $242 million. The difference between payroll contributions and
retiree payments was made up from investment income generated by the assets
of our trust.

The ERS has been rated as one of the best funded public pension systems in the
country for the past several years by RV Kuhns & Associates. Over the last 10
years, the ERS significantly exceeded its investment benchmark returns and has
rebounded well from the 2008 market collapse. Returns for 2009 were
approximately 23.75%.

Due to the market collapse at the end of 2008, and as determined by the ERS
actuary, an additional contribution due from the city agencies for 2009 is
approximately $60 million.

Every dollar the ERS retains in it's trust fund generates investment income, which helps to pay retiree benefits, and to offset any contribution due.

The unclaimed retirement benefits, which are deemed abandoned property, represent the death benefits payable to the beneficiaries of our members, whether they are active, retired or deferred. Those beneficiaries normally seek out the ERS to make their claims.

For the past four years, the amounts escheated to the State of Wisconsin were as follows:

| Year | #of Members | Amount |
|------|-------------|-----------|
| 2006 | 117 | 29,730.95 |
| 2007 | 70 | 22,398.49 |
| 2008 | 72 | 16,882.39 |
| 2009 | 128 | 32,017.54 |

The ERS would keep its current practices in place for determining abandoned property, and would keep on file those names and dollar amounts to be made available if and when a claim is made.
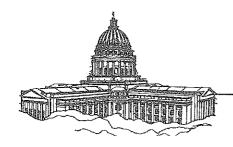
Our practices include performing due diligence in contacting all known relatives and beneficiaries. We use service providers who conduct reviews of many national databases in order to find beneficiaries (social security, motor vehicles, etc). In some cases, beneficiaries are not located which results in an unclaimed benefit. Those amounts are currently retained for one full year after the last notification attempt, and then are escheated to the State of Wisconsin.

In summary this bill accomplishes three things:

1. Keeps assets in the trust to generate investment income, which helps the trust to remain solvent.
2. Has the potential to reduce future required contributions as determined by the annual actuarial valuation.
3. Allows the ERS to continue to be the one place members may locate funds they are entitled to.

Additionally, this bill will allow the ERS to follow a similar practice currently in place with the Wisconsin Retirement System.

Thank you for your consideration.

# LENA C. TAYLOR

## Wisconsin State Senator • 4th District

### HERE TO SERVE YOU!

## Testimony of Eric Peterson
### Chief of Staff, Senator Lena C. Taylor
SB 477 – Treatment of Abandoned Employee Retirement Accounts
Senate Committee on Ethics Reform & Government Operations
Wednesday, February 10, 2010

Honorable Chairman, President Risser, and members of the committee:

Thank you for taking testimony today on SB 477 which relates to the treatment of abandoned employee retirement accounts in the City of Milwaukee retirement system. Senator Taylor appreciates the expedient scheduling of this bill and favorable consideration of this committee.

Under current law, abandoned employee retirement accounts in the City of Milwaukee pension system, become the custody of the state. This is a provision of the Uniform Unclaimed Property Act, which defines a piece of intangible property, such as, a retirement account, as presumed abandoned after five years (Wis. Stats. 177.02). After such time, these funds escheat into the state's common school fund.

SB 477 will change this provision by placing the custody of these funds in the hands of the city. The City of Milwaukee will only be able to use this money to pay down the taxpayer's cost to the retirement system. The use of these funds is not used to enrich the beneficiaries of this system, but rather to supplement the taxpayer's contribution to the retirement fund.

SB 477 creates this new statute within the existing laws governing the City of Milwaukee pension system. This new statute authorizes the board of the retirement system, all city employees as mandated by Wisconsin law, to govern the use of these funds and the determination of an abandoned account consistent with this bill.

Today, administration officials from the City of Milwaukee will present testimony to this committee on the scope of these accounts and the impact it can have on the city. They can provide many more details on the operation of the retirement system. On behalf of Senator Taylor, I urge your support of this legislation and will happily answer any questions.

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